

TAB 19

NEW ISSUE

In the opinion of bond counsel, based upon existing statutes, regulations, court decisions and rulings, interest on the Bonds is exempt from all present Federal income taxation except under certain conditions as explained under the caption "Tax Exemption" herein.

OFFICIAL STATEMENT**\$7,870,000****VILLAGE OF SAUGET, ILLINOIS****Pollution Control Revenue Bonds****(Sauget Sewerage Project)****Series 1974**

Payable solely from, and secured by a pledge of, revenues derived from the sewerage system of the Village, including certain minimum payments to be made pursuant to a user agreement with

**MONSANTO COMPANY,
CERRO CORPORATION,
EDWIN COOPER, INC.,
and
AMAX ZINC COMPANY, INC.**

Dated: May 1, 1974

Due: May 1, as shown below

\$2,795,000 Serial Bonds

Amount	Maturity (May 1)	Coupon	Price	Amount	Maturity (May 1)	Coupon	Price
\$195,000	1975	5.40%	100%	\$275,000	1980	5.90%	100%
225,000	1976	5.50	100	300,000	1981	6.00	100
250,000	1977	5.60	100	325,000	1982	6.10	100
250,000	1978	5.70	100	350,000	1983	6.20	100
275,000	1979	5.80	100	350,000	1984	6.25	100

\$5,075,000 Term Bonds**6.40% Due May 1, 1994****Price 99%****(Plus Accrued Interest from May 1, 1974)**

The Bonds will be issuable as coupon bonds in the denomination of \$5,000 each, registrable as to principal only. Principal and semi-annual interest on the Bonds (May 1 and November 1, commencing November 1, 1974) will be payable at the principal office of The Citizens and Southern National Bank, in Atlanta, Georgia, as Trustee, or at the option of the holder at the principal office of The Bank of Tokyo Trust Company, in New York, New York, as Paying Agent.

The Bonds will be subject to redemption prior to maturity as more fully described herein.

The Bonds are offered, subject to prior sale, when, as and if issued by the Village of Sauget, Illinois, and accepted by the Underwriter named below, subject to the approval of legality by Messrs. Chapman and Cutler, as bond counsel, and approval of certain legal matters by Messrs. Kutak Rock Cohen Campbell Garfinkle & Woodward, as counsel for the Underwriter, and certain other conditions. It is expected that delivery of the Bonds will be made on or about May 23, 1974.

BLYTH EASTMAN DILLON & Co.**Incorporated**

Dated: May 7, 1974

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offers made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Village of Sauget, Illinois, Monsanto Company, Cerro Corporation, Edwin Cooper, Inc., Amax Zinc Company, Inc., the Village of Sauget Sanitary Development and Research Association or the Underwriter. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Village of Sauget, Illinois, Monsanto Company, Cerro Corporation, Edwin Cooper, Inc. or Amax Zinc Company, Inc., since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the Village of Sauget, Illinois, Monsanto Company, Cerro Corporation, Edwin Cooper, Inc., Amax Zinc Company, Inc., the Village of Sauget Sanitary Development and Research Association and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter.

CONTENTS OF OFFICIAL STATEMENT

	<u>Page</u>
Introductory Statement	3
The Village	4
The Project	4
The Bonds	4
The Agreement	6
The Ordinance	9
The Performance Bond	12
Tax Exemption	12
Approval of Legal Proceedings	13
 Appendices:	
Monsanto Company	A-1
Cerro Corporation	B-1
Edwin Cooper, Inc.	C-1
Amax Zinc Company, Inc.	D-1

OFFICIAL STATEMENT

\$7,870,000

VILLAGE OF SAUGET, ILLINOIS

Pollution Control Revenue Bonds

(Sauget Sewerage Project)

Series 1974

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish information in connection with the sale by the Village of Sauget (the "Village") of its \$7,870,000 Pollution Control Revenue Bonds (Sauget Sewerage Project) Series 1974 (the "Bonds"), to be issued pursuant to a Bond Ordinance (the "Ordinance") adopted by the Village on May 7, 1974, and naming The Citizens and Southern National Bank, Atlanta, Georgia, as Trustee (the "Trustee"). The Bonds are being issued to provide funds for the acquisition and construction of certain improvements and additions to the existing sewer treatment plant of the Village. These improvements and additions are hereafter referred to as the "Project" and are described below in further detail under that heading. The Project and the Village's existing sewer system and sewer treatment plant are hereafter referred to as the "System". The System will be owned by the Village and operated by the Village of Sauget Sanitary Development and Research Association, an Illinois not-for-profit corporation (the "Association"). The System collects, treats and disposes of industrial wastes from the following corporations who have major manufacturing facilities within the corporate limits of the Village: Monsanto Company ("Monsanto"), Cerro Corporation ("Cerro"), Edwin Cooper, Inc. ("Cooper"), and Amax Zinc Company, Inc. ("Amax"). These corporations are hereafter collectively referred to as the "Corporations". In addition, the System collects, treats and disposes of the industrial wastes from other industries located within the corporate limits of the Village and the sewage from the various industries and the residents of the Village.

The Bonds will be secured by a pledge of and lien on the revenues to be received by the Village from the System including payments to be made by the Corporations pursuant to an agreement dated December 27 and 28, 1973 (the "Agreement") among the Corporations, the Village and the Association. The Corporations have agreed to pay, and shall be jointly and severally and unconditionally obligated to make, certain minimum payments throughout the term of the Agreement, which payments will be sufficient, together with other funds available for such purpose, to pay the principal of and interest on the Bonds. Certain minimum payments to be made by Monsanto under the Agreement are backed by a performance bond issued by Safeco Insurance Company of America, a Washington corporation. The performance bond is more fully discussed herein under the caption "The Performance Bond".

Brief descriptions of the Village, the Bonds, the Project, the Agreement and the Ordinance are included in this Official Statement and brief descriptions of each of the Corporations, including its financial statement, are attached hereto as Appendices. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Agreement or the Ordinance are qualified in their entirety by reference to the documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Ordinance and the information with respect thereto included in the aforesaid documents, all of which are available for inspection at the office of the Trustee and at the office of the Village Clerk.

THE VILLAGE

The Village is an Illinois municipal corporation. The Village is authorized under the provisions of the Constitution and the laws of Illinois, including particularly Division 141 of Article 11 of the Illinois Municipal Code (the "Act"), to issue the Bonds, to construct the Project, to enter into the Agreement, to designate the Trustee under the Ordinance and to secure the Bonds by a pledge of the revenues to be derived by the Village from the System, including the payments to be received by the Village pursuant to the Agreement.

The Village has approximately 220 residents and encompasses an area of approximately two (2) square miles which area includes manufacturing facilities for the Corporations and other industries.

Pursuant to the Act the charges or rates established by the Village for users of the System are liens upon the real estate upon or for which sewerage service is supplied whenever the charges or rates become delinquent. These liens may be foreclosed in the same manner and with the same effect as in foreclosures of mortgages on real estate. However, the Village has no preference over the rights of any purchaser, mortgagee, judgment creditor, or other lien holder arising prior to the filing of notice of such a lien in the office of the recorder of deeds of the county in which such real estate is located. The Village may also sue to recover a money judgment for such delinquent charges; however, the above-described lien is released and waived to the extent of the amount of any judgment obtained.

THE PROJECT

The Project will consist of water pollution control facilities to be installed at the Village's existing facilities for the purpose of chemically treating industrial and municipal wastes and sewage.

Described in terms of its principal components, the Project will embody:

- (1) A collection system to remove floating oil and scum from incoming waste water.
- (2) A 22 foot x 26 foot aerated grit chamber.
- (3) Three 25 foot acid proof cubical neutralization chambers.
- (4) Concrete flume distribution system approximately 400 feet in length.
- (5) Two polyelectrolyte preparation, feeding and flocculation facilities.
- (6) Two concrete clarifiers with a built-in sludge removal system.
- (7) Vacuum filter building housing two ten foot diameter by 16 foot long vacuum filters for conditioning the sludge.
- (8) Provision will also be made for a clay lined waste water surge lagoon and storm water clarifier.

In addition, the Project will include repairs and improvements to the existing facilities to make them compatible with the Project. It is estimated that the Project will be completed by December 14, 1976.

The Illinois Environmental Protection Agency has certified that the Project, as designed, is in furtherance of the purpose of abatement or control of water pollution.

THE BONDS

The Bonds will be limited obligations of the Village and will be payable solely from, and secured by a pledge of and lien on, the revenues derived by the Village from the operation of the System (except \$670,000 of interest which shall be payable from the proceeds from the sale of the Bonds) including certain minimum payments which the Corporations have agreed to pay under the Agreement and for which they are jointly and severally and unconditionally obligated. The Bonds, together with interest thereon, shall not in any event constitute an indebtedness of the Village or State of Illinois or any other political subdivision thereof within the meaning of any constitutional or statutory limitation.

In order to further secure the Bonds, the Ordinance establishes a Bond Reserve Account which is to be funded from charges made for use of the System. These charges are established in the rate ordinance (the "Rate Ordinance") adopted by the Village on May 7, 1974, pursuant to the Agreement. Monthly payments in the amount of \$40,000 will be made into the Bond Reserve Account until it reaches the sum of \$670,000. In the event that moneys deposited in the Bond Payment Account (as established by the Ordinance and discussed hereafter under the caption "The Ordinance—Accounts") for the payment of principal and interest on the Bonds are insufficient for those purposes, the Trustee is required to withdraw an amount equal to such insufficiency from the Bond Reserve Account to provide such payment.

The Bonds will be dated as of May 1, 1974 and will bear interest from that date at the rates and mature in the amounts and on the dates set forth on the cover page of this Official Statement. Interest will be payable semi-annually on May 1 and November 1 of each year, commencing November 1, 1974.

The Bonds will be issued as coupon bonds in the denomination of \$5,000 each, registrable as to principal only. Principal and interest are payable at the place or places specified on the cover page of this Official Statement.

Redemption: The Bonds maturing on or prior to May 1, 1984, shall not be callable for redemption prior to their maturity, but Bonds maturing on May 1, 1994, shall be subject to redemption and payment prior to their maturity at the option of the Village, either in whole or in part by lot, on any interest payment date on or after May 1, 1989, at a price of par and unpaid accrued interest to the date of redemption.

The Bonds which mature on May 1, 1994, are also subject to redemption by lot, pursuant to the terms of a mandatory sinking fund provided in the Ordinance, on each May 1 on and after May 1, 1990, at the principal amount thereof plus accrued interest to the redemption date as follows:

<u>May 1</u> <u>of the Year</u>	<u>Principal Amount</u>	<u>May 1</u> <u>of the Year</u>	<u>Principal Amount</u>
1985	\$375,000	1990	\$525,000
1986	400,000	1991	550,000
1987	400,000	1992	600,000
1988	450,000	1993	650,000
1989	450,000	1994	675,000*

*** Final Maturity**

No further interest shall accrue on the principal of any Bonds called for redemption after the redemption date if payment therefor has been duly provided. All coupons for interest thereon maturing subsequent to such date shall be void. Upon certain terms and conditions specified in the Ordinance, the Bonds or any portion thereof may be deemed to be paid and the security provided in the Ordinance for such Bonds may be discharged prior to the maturity or redemption thereof upon the provision for the payment of such Bonds in the manner set forth in the Ordinance. See the caption "The Ordinance—Discharge of Lien" herein.

Additional Bonds: The Ordinance provides for the issuance of additional bonds ("Additional Bonds") which would be on a parity with the Bonds for the purpose of completing the Project or constructing improvements, replacements and extensions to the System or refunding, to the extent permitted by law, any Bonds or Additional Bonds then outstanding.

The Village agrees not to issue such Additional Bonds unless all of the Corporations who are at that time not in default under the Agreement consent to the issuance of such Additional Bonds and the Agreement is amended so as to include the Additional Bonds within the meaning of the Bonds for the purposes of determining the amount of the payments to be made by the Corporations pursuant to the Agreement.

THE AGREEMENT

The following is a summary of certain provisions of the Agreement:

Issuance of Bonds and Construction of Project: The Village has issued \$800,000 aggregate principal amount of its general obligation bonds (the "General Obligation Bonds"). The proceeds from the sale of the General Obligation Bonds shall be used, together with the proceeds from the sale of the Bonds, to pay the cost of the Project except as discussed herein under the caption "The Ordinance—Construction Fund."

In the event the moneys from the Construction Fund Account are not sufficient to pay the full cost of the Project, the Corporations, jointly and severally, agree to complete the Project at their own expense. In such event, the Corporations shall not be entitled to any reimbursement from the Village, the Trustee or the holders of any of the Bonds, nor shall the Corporations be entitled to any diminution in or postponement of the payments required under the Agreement or the Rate Ordinance.

Pursuant to the Agreement, any surplus remaining in the Construction Fund Account after payment of the cost of construction will be distributed as follows: the balance up to \$71,000 shall be transferred to the Operation and Maintenance Account established pursuant to the Ordinance, 80/867 of any remainder will be transferred to the account maintained by the Village for the payment of principal and interest on the General Obligation Bonds and 787/867 of the first \$787,000 of such remainder will be transferred to the Bond Payment Account established pursuant to the Ordinance and 787/867 of the remainder of such amount shall be transferred to the Principal Reserve Account established pursuant to the Ordinance.

Term of the Agreement: The Agreement is in effect and, until the Bonds shall have been paid in full or payment provided for pursuant to the Ordinance, the Agreement may not be terminated by any party thereto.

Payments by the Corporations: To insure that sufficient revenues are generated by the System to make all payments of principal of and interest on the Bonds (whether by maturity or sinking fund redemption), the Corporations agree jointly and severally and unconditionally to pay certain minimum amounts to the Trustee for deposit in the Bond Payment Account, Sinking Fund Account and Bond Reserve Account, which accounts are established pursuant to the Ordinance and discussed under the caption "The Ordinance—Accounts" herein. The following table shows the percentage of such payment each of the Corporations is primarily obligated to make:

Monsanto	75.7180%
Cerro	12.6787%
Cooper	7.9306%
Amax	3.6727%

In the event that the charge pursuant to the Rate Ordinance for one of the Corporations relating to payments to the Bond Payment Account, Sinking Fund Account and Bond Reserve Account is greater than the payment to be made by such Corporation pursuant to the Agreement, such Corporation shall be liable for the amount owing pursuant to the Rate Ordinance.

Should any of the Corporations fail to pay its required amount into the Bond Payment Account, Bond Reserve Account or Sinking Fund Account pursuant to the Agreement, each of the remaining Corporations agrees to proportionately assume and to pay such amount in the same proportion as the percentages specified above. Each of the Corporations agrees unconditionally to pay such amounts to the Bond Payment Account, Bond Reserve Account and Sinking Fund Account as determined by the Agreement, whether or not it continues to be a user of the System and irrespective of any claim or charge it may have against the Village, the Association or any of the other Corporations.

Charges Under the Agreement and the Rate Ordinance: In order to determine a yearly charge to be paid by all users of the System to apply to making payments on the Bonds and to operate and maintain the System, the Village agrees to adopt and keep in effect the Rate Ordinance. This determination is to be made for all of the users of the System ("Users") with the exception of the Village for certain of its facilities and with the further exception of any person owning or using property for residential

purposes, including residential apartments. Each User's charge will include amounts for payment of principal of and interest on the Bonds, operation and maintenance of the System and for major repairs to the System (other than the sewer lines), all to be deposited in the appropriate account established pursuant to the Ordinance and discussed under the caption "The Ordinance—Accounts" herein. The amount of these charges for a particular User will be based upon a number of factors relating to the amount and nature of the effluent discharged by such User into the System. The Association is to assist the Village in making these determinations.

In making such determination for the three fiscal years beginning May 1, 1974, the Association and the Village will rely upon estimates of usage contained in a report dated August 24, 1972 prepared by Monsanto Enviro-Chem Systems, Inc. (a wholly owned subsidiary of Monsanto), as reviewed and revised by the Board of Directors of the Association at a meeting held on November 21, 1973 (the "Report"). The Report shows the projected use of the Corporations and other Users of the System. In making the determination for the charges to be made after April 30, 1977, the Association and the Village will rely upon the actual use of the System by each User as determined by the Association or an independent engineer during the fiscal year preceding the year in which the charges are to be made.

Payment of Charges: Under the Rate Ordinance, a monthly statement of each User's charges is to be mailed to such User and the payment of such charges is due on or before the twenty-first calendar day of that month. The monthly charge for each User shall consist of 1/12 of the annual charge to be paid by that User for Bond Payment Account and Sinking Fund Account and that User's share of the monthly charge for Bond Reserve Account, Depreciation Account and the cost of operating and maintaining the System (other than the sewer lines).

Additional Users: As specified in the Report, the System, as designed, will be constructed to accommodate 145% of the estimated flow related need of each of the Corporations as of December 31, 1974 and other regulated uses of the Corporations as specified in the Report and, in addition, there is a reserve capacity of an additional 10% of the estimated flow related usage. To the extent of such flow related reserve capacity, the Village may allow any present or future User to use the System upon such terms and conditions as it may deem fit and proper; provided that such User pay a connection fee to be determined by the Village with the advice of the Association based on the proportionate capital expenditures for the amount of the capacity of the Project that will be required to provide to treat the anticipated effluent of such User. The Village agrees that the Corporations shall have the right to take such capacity on the same basis prior to allowing such User to connect. Any connection charges so collected are to be deposited in the fund maintained by the Village for the payment of the principal and interest on the General Obligation Bonds.

Extraordinary Use: Any User, including any of the Corporations, who may require additional, extraordinary, different or special waste treatment or disposal services other than those contemplated by the Report or require any further expansion, extension, modification or improvement of the System to accommodate such service, will be required to pay the added cost incident to the construction of such expansion, extension, modification or improvement, including the cost with respect to the issuance, if any, of Additional Bonds to finance the same.

Operation of the System: Throughout the term of the Agreement the Association will operate the System and will maintain the System (other than the sewer lines) in good and sufficient order pursuant to the terms and provisions of an Agreement dated January 19, 1966 between the Village and the Association. The Village is to maintain the sewer lines with funds other than those obtained by charges to Users. Should the treatment of the waste by the System not meet the lawful standards which have been or may be established, the parties to the Agreement agree to cause to be prepared plans and specifications for the alteration, improvement, extension or expansion of the System to enable it to treat such waste material.

Rate Ordinance: The Village agrees that, in order to obtain sufficient funds to pay the cost of operating and maintaining the System and to fund the depreciation of the System, it will provide in the Rate Ordinance that a portion of the charge to each User, in addition to the charges for the Bond Payment, Bond Reserve Payment and Sinking Fund Payment, will be based upon the cost for operating

and maintaining the System (other than the sewer lines) and to provide a reserve for making major repairs or replacements to the System (other than the sewer lines).

Assignment and Merger: Under certain conditions, the Corporations may assign their rights and obligations under the Agreement, but such assignment will not operate to relieve any such Corporation of its primary liability under the Agreement. Any of the Corporations may consolidate or merge with another corporation, or transfer all or substantially all of its assets, provided that such Corporation be the surviving corporation or the surviving or resulting corporation or transferee assumes in writing all obligations of such Corporation under the Agreement. Each of the Corporations agrees that it will be subject to suit upon the Agreement in the Circuit Court of St. Clair County, Illinois and will be subject to service of process of summons in any such suit upon its Illinois registered agent, if any, or at the address specified for such Corporation in the Agreement.

Defaults: The Agreement provides that the happening of one or more of the following events will constitute an "event of default":

(1) failure by any of the Corporations to pay its charges to the Village as determined by the Agreement and the Rate Ordinance, provided that no default shall be deemed to have occurred if, within seven days, all of the nondefaulting Corporations declare to the Trustee and the Village that such failure shall not constitute an event of default and all of the charges to be paid by such Corporations shall have been paid;

(2) failure by any of the Corporations to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subparagraph (1) above, for a period of 30 calendar days after written notice (specifying such failure and requesting that it be remedied) given to the Corporation by the Village or the Trustee unless the Village and the Trustee agree in writing to an extension of this time prior to its expiration or unless such failure occurs by reason of *force majeure* as defined in the Agreement; and

(3) certain events of bankruptcy, dissolution, liquidation or reorganization of any of the Corporations.

Remedies: Upon the happening of an event of default the Village may:

(1) declare all minimum charges to be paid by the defaulting Corporation to be immediately due and payable which minimum charges for purposes of the declaration shall be such Corporation's percentage, as determined by the Agreement, of the then outstanding principal of the Bonds taking in account amounts in the Bond Reserve Account, Principal Reserve Account and Sinking Fund Account and interest accrued to the date of default; such charges be deemed to be payable as damages fixed, liquidated and agreed upon in advance; and

(2) the Village may take whatever action, at law or in equity, that appears necessary or desirable to collect its charges under the Rate Ordinance and the Agreement, then due or thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of such Corporation under the Agreement.

Any amounts collected pursuant to action taken upon the happening of an event of default shall be paid into the Bond Payment Account. The Village agrees to take such actions as may be required to effect any or all of the above remedies upon the written demand of one or more of the Corporations that shall not be in default under the Agreement.

Bond Redemption: At such times as the Bonds shall be redeemable as provided above under the heading "The Bonds—Redemption" in this Official Statement, the Village will, at the request of all of the Corporations which are not at that time in default under the Agreement, call the Bonds for redemption and the Corporations shall pay money sufficient to redeem the principal amount of such Bonds, plus the interest accrued at the redemption date. The Village agrees that it will not call any of the Bonds without the prior written consent of each of the Corporations.

Amendments, Changes and Modifications: Subsequent to the initial issuance of the Bonds and prior to their payment in full (or provision for payment thereof having been made in accordance with

the provisions of the Ordinance). the Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee. Pursuant to the Ordinance the Trustee may, without the consent of or notice to the Bondholders, consent to any amendments, change or modification of the Agreement as may be required (i) by the provisions of the Agreement or the Ordinance (including those required in connection with the issuance of Additional Bonds), (ii) for the purpose of curing any ambiguity or formal defect or omission, or (iii) in connection with any other changes therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders. Except for the amendments, changes or modifications as provided in the preceding sentence, the Trustee shall not consent to any other amendment, change or modification of the Agreement without publication of notice and the written approval or consent of the holders of not less than two-thirds in aggregate principal amount of the Bonds at the time outstanding.

THE ORDINANCE

The following is a summary of certain provisions of the Ordinance:

Pledge and Security: Pursuant to the Ordinance the revenues to be derived by the Village from the System, including amounts to be paid pursuant to the Agreement, are pledged to the payment of the principal of and interest on the Bonds and any Additional Bonds that may thereafter be issued.

Construction Fund: The funds received by the Village from the sale of the Bonds shall be deposited in the Construction Fund Account of the Village created by the Ordinance, except that \$670,000 will be deposited in the Capitalized Bond Interest Reserve Account, \$29,000 will be deposited in the Operation and Maintenance Account discussed below and any accrued interest will be deposited in the Bond Payment Account. Such funds in the Construction Fund Account will be used solely for the Project and may only be withdrawn by the Treasurer upon a duplicate copy of an order signed by the President and Village Clerk stating specifically the purpose for which the order is issued and indicating that payment for which the order is issued has been approved by the President and Board of Trustees of the Village. Each order drawn for payment of a contract to contractors for work done in connection with the construction of the Project shall be accompanied by a certificate executed by the engineers in charge of the construction thereof stating the nature of the work completed and the amount due and payable thereon. Within sixty days after the completion of the Project, any surplus remaining in the Construction Fund Account shall be transferred as specified above under the caption "The Agreement—Issuance of Bonds and Construction of Project".

Accounts: All revenues derived from the Village pursuant to the Rate Ordinance are to be collected and deposited in a separate fund of the Village to be established with the Trustee, such fund to be designated the "Sewerage Fund" and to constitute a trust fund for the sole purpose of carrying out the covenants, terms and conditions of the Ordinance. Special accounts are to be established within this fund and entitled: (1) Bond Payment Account, (2) Bond Reserve Account, (3) Sinking Fund Account, (4) Capitalized Bond Interest Reserve Account, (5) Principal Reserve Account, (6) Operation and Maintenance Account and (7) Depreciation Account.

The Bond Payment Account shall be the account from which the principal of and interest on the Bonds will be paid.

The Bond Reserve Account shall be solely a reserve for payment of principal of and interest on the Bonds and is to be funded by charges under the Rate Ordinance at the rate of \$40,000.00 per month to a level of \$670,000.

The Sinking Fund Account shall be used to accumulate funds for transfer to the Bond Payment Fund to pay the principal of the Bonds pursuant to the mandatory sinking fund redemption of the Bonds maturing on May 1, 1994.

The Capitalized Bond Interest Reserve Account is to be funded from the proceeds of the sale of the Bonds to an amount of \$670,000. These funds shall be transferred to the Bond Payment Account

by the Trustee to pay, to the extent of such amount, interest accruing on the Bonds during 1974 and part of 1975.

The Principal Reserve Account shall be established only if required for maintaining excess funds remaining in the Construction Fund following completion of the Project as discussed herein under the heading "The Agreement—Issuance of Bonds and Construction of Project". Any moneys deposited in the Principal Reserve Account shall be used by the Trustee to purchase Bonds on the open market for the purpose of retiring such Bonds if and when the same become available for purchase at a price of 105% of their principal amount or less. To the extent that any moneys remain they shall be used to redeem the Bonds on the earliest possible redemption date.

The Operation and Maintenance Account is to be used to pay the expenses of operation, maintenance and repair of the System (other than the sewer lines), including any salaries, wages, cost of material supplies, insurance, power and the reasonable repairs necessary to render efficient service by the System.

The Depreciation Account is to be used for the purpose of making major repairs or replacements to the System (other than the sewer lines) and is to be funded by charges under the Rate Ordinance at the rate of \$5,833.00 per month to a level of \$420,000.00.

Payments received by the Village pursuant to the Rate Ordinance attributable to the respective accounts described above will be deposited in such account within five banking days after the receipt of such payment; provided, however, that the Corporations are to make their payments relating to the Bond Payment Account, the Sinking Fund Account and the Bond Reserve Account directly to the Trustee. For example, all payments received by the Village attributable to the charges made for Bond Payment shall be deposited in the Bond Payment Account.

The Village covenants that the rates charged for the use and service of the System will be sufficient at all times to pay the cost of operation and maintenance and to provide and maintain the accounts created and established by the Bond Ordinance.

Insurance: The Village covenants that it will carry insurance on the System in the amounts usually carried by operators of similar property and that all monies received for losses under such policies will be deposited in the Sewerage Fund and thereafter credited to the Depreciation Account and used to make good the loss or damage in respect to which they were paid.

Examination of Books: The Village covenants that proper books and records of all accounts relating to the Bonds and the System will be kept and maintained and any of the holders of the Bonds or authorized agents of such holders have the right to inspect the records and accounts and to inspect the System and all property comprising the System. Not later than 120 days following the close of each fiscal year, the Village will cause an audit of such books and accounts to be made by a certified public accountant. Such audit will be available for inspection by the holders of any of the Bonds.

Arbitrage: The Village covenants in the Ordinance that it will make no use of moneys derived from the proceeds from the sale of the Bonds, from revenues of the System or from any other source which, if such use could have been reasonably expected on the date of the issue of the Bonds, would have caused the Bonds to be classified as "arbitrage bonds" within the meaning of Section 103(d) of the Internal Revenue Code of 1954, as amended, and the regulations promulgated or proposed thereunder.

Investment: All funds held by the Trustee in the Construction Fund, Bond Payment Account, Sinking Fund Account, Bond Reserve Account, Capitalized Bond Interest Reserve Account, Principal Reserve Account, Operation and Maintenance Account and Depreciation Account, shall be invested from time to time by the Trustee, at the direction of the governing body of the Village, in such obligations of the United States of America, the Federal National Mortgage Association, banks and savings and loan associations as may then be authorized under the then applicable provisions of the laws of Illinois applicable to investments of public funds by public agencies, including the provisions of an act entitled "AN ACT relating to certain investments of public funds by public agencies", as amended (Ill. Rev. Stat. 1973, ch. 85, § 901 et seq.); provided, however, that notwithstanding any contrary provisions of said Act,

investments in any certificate of deposit or time deposit shall be made only: (i) if the amount thereof does not exceed ten percent (10%) of the capital, surplus and undivided profits of the bank or association issuing such certificate or deposit and if the total of the capital, surplus and undivided profits of such bank or association equals or exceeds \$25,000,000; or (ii) such certificate of deposit or time deposit is secured by a pledge of bonds, notes or bills issued by the United States of America having a market value equal to or in excess of the amount of such certificate or deposit. All income and other earnings derived from the investment of funds in the Construction Fund Account or the Principal Reserve Account shall be added to the Construction Fund Account or the Principal Reserve Account, as the case may be. All income and other earnings derived from the investment of funds in all other Accounts shall be added to the Bond Payment Account.

Discharge of Lien: Pursuant to the Ordinance the lien of the Ordinance shall be discharged if:

(1) the Village shall pay or cause to be paid to or for the holders and owners of the Bonds and coupons appertaining thereto the principal and interest due or to become due thereon at the times and in the manner stipulated therein;

(2) the Village shall not then be in default in any of the other covenants and promises in the Bonds and in the Ordinance; and

(3) the Village shall pay or cause to be paid to the Trustee all sums of money due or to become due according to the provisions of the Ordinance.

Any Bonds shall be deemed to be paid for such purpose when payment of the principal of such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Ordinance, or otherwise), either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (i) moneys sufficient to make such payment or (ii) Governmental Obligations (as hereinafter defined) maturing as to principal and interest in such amount and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee and any paying agent pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of such Trustee or paying agent and, except for the purposes of such payment, such Bond shall no longer be secured by or entitled to the benefits of the Ordinance; provided that with respect to Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit under (b) above shall constitute such discharge and satisfaction, unless such Bonds shall have been irrevocably called or designated for redemption on the first date thereafter on which such Bonds may be redeemed in accordance with the provisions thereof and notice of such redemption shall have been given or irrevocable provision shall have been made for the giving of such notice. "Governmental Obligations" shall mean any of the following which are non-callable and which at the time of investment are legal investments under the laws of Illinois for the moneys proposed to be invested therein; (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America; (ii) bonds, debentures or notes issued by any of the following Federal agencies: Bank for Cooperatives, Federal Land Banks, Federal Home Loan Mortgage Corporation, or Federal National Mortgage Association (including Participation Certificates); or (iii) Public Housing Bonds, Temporary Notes, or Preliminary Loan Notes, fully secured by contracts with the United States.

Default and Remedies: Any of the following events shall be an "event of default" under the Ordinance:

(1) Default in the due and punctual payment of interest on any Bond; or

(2) Default in the due and punctual payment of the principal of any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration.

Upon the occurrence of an event of default the Trustee may by notice in writing delivered to the Village declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable and may, either in law or in equity, by suit, action, mandamus or other proceedings, enforce or compel performance by the officials of the Village of all duties required by law or by the Ordinance including the making and collecting of sufficient rates for sewer services and segregating the revenues of the System and the application thereof the respective Accounts created by the Ordinance and in addition enforce any of the rights of the Village under the Agreement and upon the request of the holders of 25% of the principal amount of the Bonds then outstanding must take such actions. Any holder of a Bond, or of any of the coupons representing interest accrued thereon, may also take any such actions.

Modifications and Amendments: The Ordinance may not be modified or amended without the approval of the holders of not less than two-thirds of the principal amount of the Bonds outstanding except:

- (1) to cure any ambiguity or formal defect or omission;
- (2) to grant to the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon the Bondholders or the Trustee;
- (3) to evidence the appointment of a separate depository or a co-depository or the succession of a new Trustee or paying agent; or
- (4) to comply with the requirements of the Ordinance in the event of the issuance of Additional Bonds.

In any event, no modification or amendment of the Ordinance shall be made which will:

- (1) permit an extension of the stated maturity of the principal of or interest on any Bond, or a reduction in the principal amount or interest on any Bond, or
- (2) reduce the aggregate principal amount of Bonds the holders of which are required to approve any modification or amendment requiring approval, or
- (3) permit a privilege or priority of any Bond over any other Bond.

THE PERFORMANCE BOND

In order to limit the amount of the potential contingent liability of Cerro, Amax and Cooper, a performance bond has been obtained from Safeco Insurance Company of America ("Safeco"), as surety, with Monsanto as the principal. Pursuant to the terms of the bond Safeco is to pay to the Trustee the payments of Monsanto for which it is primarily obligated (as described herein under the caption "The Agreement—Payments by the Corporations") in the event of default by Monsanto.

TAX EXEMPTION

Generally, interest on obligations of a state or political subdivision of a state is exempt from Federal income taxation. Section 103(c) of the Internal Revenue Code of 1954, as amended, however, provides that interest on any such obligation which is an "industrial development bond" shall not be exempt. An exception to this provision is created by Section 103(c)(4)(E) and (F) for issues of industrial development bonds where substantially all of the proceeds are used to provide sewage disposal facilities or air or water pollution control facilities, unless the holder of the bond is a substantial user of the facility or a "related person", as such term is defined in the regulations of the Internal Revenue Service with respect to such Section.

In the opinion of Messrs. Chapman and Cutler, bond counsel, based on existing statutes, regulations, court decisions and rulings, the interest on the Bonds is exempt from all present Federal income tax (except that no opinion is expressed with respect to interest on any Bonds for any period during which such Bond is held by a person who is a substantial user or "related person").

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the Village of the Bonds, and with regard to the tax exempt status thereof as described under the heading "Tax Exemption", are subject to the unqualified approving opinion of Messrs. Chapman and Cutler, bond counsel. Copies of such opinion will be available at the time of the delivery of the Bonds. Legal matters pertaining to the Village will be passed upon by its counsel, Harold G. Baker, Esq. Certain legal matters will be passed upon for the Underwriters by their counsel, Messrs. Kutak Rock Cohen Campbell Garfinkle & Woodward.

This Official Statement has been duly approved, executed and delivered by the Village.

VILLAGE OF SAUGET, ILLINOIS

By



PAUL SAUGET

President of its Board of Trustees
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Sauget, Illinois 62206
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